

**STATE OF NEVADA**  
**NVEST**  
**(Local Government Pooled Long-Term Investment Account)**  
**INVESTMENT POLICY**

**I. INTRODUCTION**

A. The State of Nevada Local Government Pooled Long-Term Investment Account ("NVEST") has been established as an alternative investment program to be utilized by local governments for their public funds. This program's operation is the responsibility of the State Treasurer, who, by the provisions of state statute, has adopted guidelines for the investment of these funds.

B. It is the intent of this policy to establish guidelines for the prudent investment of these funds

**II. SCOPE**

A. Any local government, as defined by Nevada Revised Statute **(NRS) 354.474**, may deposit its public monies into this account for purposes of investment.

B. The State Treasurer may establish one or more separate sub-accounts in the local government pooled long-term investment account for identified investments that are made for and allocated to specific participating local governments.

C. There will be a minimum account size of \$5 million.

D. A list of authorized local government persons who may transact on behalf of their NVEST account will be maintained by the State Treasurer and must be updated as warranted.

**IV. OBJECTIVES**

A. **Safety:** Safety of principal is the foremost objective of the NVEST investment accounts. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.

B. **Return on Investments:** The NVEST account assets will be invested with the objective of obtaining an appropriate market rate of return in relation to the prevailing long-term fixed income environment.

**V. PRUDENCE**

A. The standard of prudence to be used for all investment activities shall be the following "prudent person" standard, as hereafter quoted, and shall be applied while conducting all investment transactions:

"Investments shall be made with judgement and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the

management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

## **VI. AUTHORIZED INVESTMENTS**

**NRS 355.165** designates the legal investments for the local government pooled long-term investment account, including those legal investments designated in **NRS 355.165** and **NRS 355.170**. The State Treasurer, in accordance with the provisions of these statutes and this investment policy, is authorized to invest in:

A. United States Treasury Bills, Notes, and Bonds;

1. Maximum maturity of 10 years

B. United States Government Agency Securities;

1. Federal National Mortgage Association
2. Federal Home Loan Bank
3. Federal Farm Credit Bank
4. Federal Home Loan Mortgage Corporation
5. Student Loan Marketing Association
  - a. Maximum maturity of 10 years

C. Negotiable Certificates of Deposit;

1. Issued by commercial banks
2. Issued by insured savings and loan associations

D. Bankers' Acceptances;

1. Maximum maturity of 180 days
2. Rating must be A-1, P-1, or its equivalent or better

E. Collateralized Mortgage Obligation;

1. Rating must be "AAA", or its equivalent
2. Maximum maturity of ten years (maturity defined as date of final payment assuming zero prepayments)

F. Asset Backed Obligations;

1. Rating must be "AAA", or its equivalent

#### G. Commercial Paper;

1. Maximum maturity of 270 days
2. Rating must be A-1, P-1, or its equivalent or better
3. Aggregate book value may not exceed 20% of the total book value of the portfolio as determined on the date of purchase, and if the rating of an obligation is reduced to a level that does not meet the requirements of this paragraph, it must be sold as soon as possible

#### H. Corporate Bonds and Notes;

1. Maximum maturity of five years from the time of purchase
2. Rating must be A, or its equivalent or better
3. Aggregate book value may not exceed 20% of the total book value of the portfolio as determined on the date of purchase, and if the rating of an obligation is reduced to a level that does not meet the requirements of this paragraph, it must be sold as soon as possible.
4. Not more than 25% of these investments may be in notes, bonds, and other unconditional obligations issued by any one corporation

#### I. Repurchase Agreements;

1. Executed with a qualified counter party designated in advance by the State Treasurer.
  - a. Counter party means a bank which is organized and operating or licensed to operate in the United States under federal or state law or a securities dealer which is a registered broker/dealer, designated by the Federal Reserve Bank of New York as a "primary" dealer in United States government securities, and in full compliance with all applicable capital requirements.
2. A written master repurchase agreement in a form satisfactory to the State Treasurer is executed prior to entering into a repurchase agreement.
3. Maximum maturity of 90 days
4. Collateral requirements

#### J. Money Market Mutual Funds

1. Registered with the Securities and Exchange Commission
2. Rating must be AAA or its equivalent

3. Invests only in securities issued by the Federal Government, agencies of the Federal Government, or repurchase agreements fully collateralized by such securities

\*NOTE: As bond covenants may be more restrictive than the allowable securities in this policy, this fund may not be an appropriate investment vehicle for some bond proceeds.

## **VII. COLLATERALIZATION**

A. The collateral for repurchase agreements shall be United States Treasury or United States government agency securities with a term of maturity of not more than ten years. The market value of purchased securities must be at least 102% of the repurchase price. At a minimum, the value of the securities must be marked-to-market on a weekly basis.

## **VIII. SAFEKEEPING/CUSTODY AND DELIVERY**

A. Securities purchased for NVEST accounts, as well as collateral for repurchase agreements, shall be delivered against payment and held in a custodial safekeeping account with the trust department of a bank acting as a third party custodian.

1. The bank will be designated by the State Treasurer and all transactions will be evidenced by safekeeping receipts.

## **IX. MATURITIES**

Funds may be invested in the intermediate market, defined herein as instruments maturing between zero and ten years provided that the average maturity of the portfolio does not exceed five years.

## **X. DIVERSIFICATION**

A. Assets held in the NVEST accounts shall be diversified to eliminate the risk of loss resulting from over-concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. The following diversification limitations shall be imposed on the portfolio:

1. With the exception of United States Treasury and United States government agency securities, and repurchase agreements, no more than 20% of the total book value of the portfolio will be invested in a single security type.

2. No more than 30% of the total book value of the portfolio shall be invested in uninsured or uncollateralized securities (any combination of negotiable certificates of deposit and commercial paper.)

## **XI. PERFORMANCE STANDARD**

A. The benchmarks utilized by the NVEST accounts will be as follows. This comparison will be made quarterly.

- Accounts with 1-2 year duration    Merrill Lynch 1-3 year Treasury Index
- Accounts with 2-3 year duration    Merrill Lynch 1-5 year Treasury Index
- Accounts 3+ year duration         Lehman Brothers Intermediate  
Government/Corporate Index